
HOUSE BILL 1737

State of Washington 60th Legislature 2007 Regular Session

By Representatives Ericks, Curtis, Simpson, Jarrett, Miloscia,
Springer, Clibborn, Eddy, Haler, Roberts and Ormsby

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1 AN ACT Relating to multiple-unit dwellings in urban centers; and
2 amending RCW 84.14.010, 84.14.020, 84.14.030, 84.14.090, and 84.14.110.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 84.14.010 and 2002 c 146 s 1 are each amended to read
5 as follows:

6 Unless the context clearly requires otherwise, the definitions in
7 this section apply throughout this chapter.

8 (1) "City" means either (a) a city or town with a population of at
9 least (~~(thirty)~~) five thousand or (b) the largest city or town, if
10 there is no city or town with a population of at least (~~(thirty)~~) five
11 thousand, located in a county planning under the growth management act.

12 (2) "Governing authority" means the local legislative authority of
13 a city having jurisdiction over the property for which an exemption may
14 be applied for under this chapter.

15 (3) "Growth management act" means chapter 36.70A RCW.

16 (4) "Multiple-unit housing" means a building having four or more
17 dwelling units not designed or used as transient accommodations and not
18 including hotels and motels. Multifamily units may result from new

1 construction or rehabilitated or conversion of vacant, underutilized,
2 or substandard buildings to multifamily housing.

3 (5) "Owner" means the property owner of record.

4 (6) "Permanent residential occupancy" means multiunit housing that
5 provides either rental or owner occupancy on a nontransient basis.
6 This includes owner-occupied or rental accommodation that is leased for
7 a period of at least one month. This excludes hotels and motels that
8 predominately offer rental accommodation on a daily or weekly basis.

9 (7) "Rehabilitation improvements" means modifications to existing
10 structures, that are vacant for twelve months or longer, that are made
11 to achieve a condition of substantial compliance with existing building
12 codes or modification to existing occupied structures which increase
13 the number of multifamily housing units.

14 (8) "Residential targeted area" means an area within an urban
15 center that has been designated by the governing authority as a
16 residential targeted area in accordance with this chapter.

17 (9) "Substantial compliance" means compliance with local building
18 or housing code requirements that are typically required for
19 rehabilitation as opposed to new construction.

20 (10) "Urban center" means a compact identifiable district where
21 urban residents may obtain a variety of products and services. An
22 urban center must contain:

23 (a) Several existing or previous, or both, business establishments
24 that may include but are not limited to shops, offices, banks,
25 restaurants, governmental agencies;

26 (b) Adequate public facilities including streets, sidewalks,
27 lighting, transit, domestic water, and sanitary sewer systems; and

28 (c) A mixture of uses and activities that may include housing,
29 recreation, and cultural activities in association with either
30 commercial or office, or both, use.

31 **Sec. 2.** RCW 84.14.020 and 2002 c 146 s 2 are each amended to read
32 as follows:

33 (1) The value of new housing construction, conversion, and
34 rehabilitation improvements qualifying under this chapter is exempt
35 from ad valorem property taxation, for ten successive years beginning
36 January 1 of the year immediately following the calendar year of
37 issuance of the certificate of tax exemption eligibility. However, the

1 exemption does not include the value of land or nonhousing-related
2 improvements not qualifying under this chapter. When a local
3 (~~government adopts~~) government's guidelines adopted pursuant to RCW
4 84.14.030(2) (~~and the qualifying dwelling units are each on separate~~
5 ~~parcels for the purpose of property taxation~~) include conditions that
6 must be satisfied with respect to individual dwelling units, rather
7 than with respect to the multiple-unit housing as a whole or some
8 minimum portion thereof, the exemption (~~may, at the local government's~~
9 ~~discretion, be~~) is limited to the value of the qualifying improvements
10 allocable to those dwelling units that (~~meet the~~) satisfy those local
11 guidelines.

12 (2) In the case of rehabilitation of existing buildings, the
13 exemption does not include the value of improvements constructed prior
14 to the submission of the application required under this chapter. The
15 incentive provided by this chapter is in addition to any other
16 incentives, tax credits, grants, or other incentives provided by law.

17 (3) This chapter does not apply to increases in assessed valuation
18 made by the assessor on nonqualifying portions of building and value of
19 land nor to increases made by lawful order of a county board of
20 equalization, the department of revenue, or a county, to a class of
21 property throughout the county or specific area of the county to
22 achieve the uniformity of assessment or appraisal required by law.

23 (4) At the conclusion of the ten-year exemption period, the new or
24 rehabilitated housing cost shall be considered as new construction for
25 the purposes of chapter 84.55 RCW.

26 **Sec. 3.** RCW 84.14.030 and 2005 c 80 s 1 are each amended to read
27 as follows:

28 An owner of property making application under this chapter must
29 meet the following requirements:

30 (1) The new or rehabilitated multiple-unit housing must be located
31 in a residential targeted area as designated by the city;

32 (2) The multiple-unit housing must meet the guidelines as adopted
33 by the governing authority that may include height, density, public
34 benefit features, number and size of proposed development, parking,
35 low-income or moderate-income occupancy requirements, and other adopted
36 requirements indicated necessary by the city. The required amenities

1 should be relative to the size of the project and tax benefit to be
2 obtained;

3 (3) The new, converted, or rehabilitated multiple-unit housing must
4 provide for a minimum of fifty percent of the space for permanent
5 residential occupancy. In the case of existing occupied multifamily
6 development, the multifamily housing must also provide for a minimum of
7 four additional multifamily units. Existing multifamily vacant housing
8 that has been vacant for twelve months or more does not have to provide
9 additional multifamily units;

10 (4) New construction multifamily housing and rehabilitation
11 improvements must be completed within three years from the date of
12 approval of the application;

13 (5) Property proposed to be rehabilitated must fail to comply with
14 one or more standards of the applicable state or local building or
15 housing codes on or after July 23, 1995. If the property proposed to
16 be rehabilitated is not vacant, an applicant shall provide each
17 existing tenant housing of comparable size, quality, and price and a
18 reasonable opportunity to relocate; and

19 (6) The applicant must enter into a contract with the city approved
20 by the governing body, or an administrative official or commission
21 authorized by the governing authority, under which the applicant has
22 agreed to the implementation of the development on terms and conditions
23 satisfactory to the governing authority.

24 **Sec. 4.** RCW 84.14.090 and 1995 c 375 s 12 are each amended to read
25 as follows:

26 (1) Upon completion of rehabilitation or new construction for which
27 an application for limited exemption under this chapter has been
28 approved and after issuance of the certificate of occupancy, the owner
29 shall file with the city the following:

30 (a) A statement of the amount of rehabilitation or construction
31 expenditures made with respect to each housing unit and the composite
32 expenditures made in the rehabilitation or construction of the entire
33 property;

34 (b) A description of the work that has been completed and a
35 statement that the rehabilitation improvements or new construction on
36 the owner's property qualify the property for limited exemption under
37 this chapter; and

1 (c) A statement that the work has been completed within three years
2 of the issuance of the conditional certificate of tax exemption.

3 (2) Within thirty days after receipt of the statements required
4 under subsection (1) of this section, the authorized representative of
5 the city shall determine whether the work completed is consistent with
6 the application and the contract approved by the (~~governing~~
7 ~~authority~~) city and is qualified for limited exemption under this
8 chapter. The city shall also determine which specific improvements
9 completed meet the requirements and required findings.

10 (3) If the rehabilitation, conversion, or construction is completed
11 within three years of the date the application for limited exemption is
12 filed under this chapter, or within an authorized extension of this
13 time limit, and the authorized representative of the city determines
14 that improvements were constructed consistent with the application and
15 other applicable requirements and the owner's property is qualified for
16 limited exemption under this chapter, the city shall file the
17 certificate of tax exemption with the county assessor within ten days
18 of the expiration of the thirty-day period provided under subsection
19 (2) of this section.

20 (4) The authorized representative of the city shall notify the
21 applicant that a certificate of tax exemption is not going to be filed
22 if the representative determines that:

23 (a) The rehabilitation or new construction was not completed within
24 three years of the application date, or within any authorized extension
25 of the time limit;

26 (b) The improvements were not constructed consistent with the
27 application or other applicable requirements; or

28 (c) The owner's property is otherwise not qualified for limited
29 exemption under this chapter.

30 (5) If the authorized representative of the city finds that
31 construction or rehabilitation of multiple-unit housing was not
32 completed within the required time period due to circumstances beyond
33 the control of the owner and that the owner has been acting and could
34 reasonably be expected to act in good faith and with due diligence, the
35 governing authority or the city official authorized by the governing
36 authority may extend the deadline for completion of construction or
37 rehabilitation for a period not to exceed twenty-four consecutive
38 months.

1 (6) The governing authority may provide by ordinance for an appeal
2 of a decision by the deciding officer or authority that an owner is not
3 entitled to a certificate of tax exemption to the governing authority,
4 a hearing examiner, or other city officer authorized by the governing
5 authority to hear the appeal in accordance with such reasonable
6 procedures and time periods as provided by ordinance of the governing
7 authority. The owner may appeal a decision by the deciding officer or
8 authority that is not subject to local appeal or a decision by the
9 local appeal authority that the owner is not entitled to a certificate
10 of tax exemption in superior court under RCW 34.05.510 through
11 34.05.598, if the appeal is filed within thirty days of notification by
12 the city to the owner of the decision being challenged.

13 **Sec. 5.** RCW 84.14.110 and 2002 c 146 s 3 are each amended to read
14 as follows:

15 (1) If improvements have been exempted under this chapter, the
16 improvements continue to be exempted and not be converted to another
17 use for at least ten years from date of issuance of the certificate of
18 tax exemption. If the owner intends to convert the multifamily
19 development to another use, the owner shall notify the assessor within
20 sixty days of the change in use. If, after a certificate of tax
21 exemption has been filed with the county assessor the city or assessor
22 or agent discovers that a portion of the property is changed or will be
23 changed to a use that is other than residential or that housing or
24 amenities no longer meet the requirements as previously approved or
25 agreed upon by contract between the (~~governing authority~~) city and
26 the owner and that the multifamily housing, or a portion of the
27 housing, no longer qualifies for the exemption, the tax exemption must
28 be canceled and the following must occur:

29 (a) Additional real property tax must be imposed upon the value of
30 the nonqualifying improvements in the amount that would normally be
31 imposed, plus a penalty must be imposed amounting to twenty percent.
32 This additional tax is calculated based upon the difference between the
33 property tax paid and the property tax that would have been paid if it
34 had included the value of the nonqualifying improvements dated back to
35 the date that the improvements were converted to a nonmultifamily use;

36 (b) The tax must include interest upon the amounts of the
37 additional tax at the same statutory rate charged on delinquent

1 property taxes from the dates on which the additional tax could have
2 been paid without penalty if the improvements had been assessed at a
3 value without regard to this chapter; and

4 (c) The additional tax owed together with interest and penalty must
5 become a lien on the land and attach at the time the property or
6 portion of the property is removed from multifamily use or the
7 amenities no longer meet applicable requirements, and has priority to
8 and must be fully paid and satisfied before a recognizance, mortgage,
9 judgment, debt, obligation, or responsibility to or with which the land
10 may become charged or liable. The lien may be foreclosed upon
11 expiration of the same period after delinquency and in the same manner
12 provided by law for foreclosure of liens for delinquent real property
13 taxes. An additional tax unpaid on its due date is delinquent. From
14 the date of delinquency until paid, interest must be charged at the
15 same rate applied by law to delinquent ad valorem property taxes.

16 (2) Upon a determination that a tax exemption is to be canceled for
17 a reason stated in this section, the governing authority shall notify
18 the record owner of the property as shown by the tax rolls by mail,
19 return receipt requested, of the determination to cancel the exemption.
20 The owner may appeal the determination to the governing authority
21 within thirty days by filing a notice of appeal with the clerk of the
22 governing authority, which notice must specify the factual and legal
23 basis on which the determination of cancellation is alleged to be
24 erroneous. The governing authority or a hearing examiner or other
25 official authorized by the governing authority may hear the appeal. At
26 the hearing, all affected parties may be heard and all competent
27 evidence received. After the hearing, the deciding body or officer
28 shall either affirm, modify, or repeal the decision of cancellation of
29 exemption based on the evidence received. An aggrieved party may
30 appeal the decision of the deciding body or officer to the superior
31 court under RCW 34.05.510 through 34.05.598.

32 (3) Upon determination by the governing authority or authorized
33 representative to terminate an exemption, the county officials having
34 possession of the assessment and tax rolls shall correct the rolls in
35 the manner provided for omitted property under RCW 84.40.080. The
36 county assessor shall make such a valuation of the property and
37 improvements as is necessary to permit the correction of the rolls.
38 The value of the new housing construction, conversion, and

1 rehabilitation improvements added to the rolls shall be considered as
2 new construction for the purposes of chapter 84.55 RCW. The owner may
3 appeal the valuation to the county board of equalization under chapter
4 84.48 RCW and according to the provisions of RCW 84.40.038. If there
5 has been a failure to comply with this chapter, the property must be
6 listed as an omitted assessment for assessment years beginning January
7 1 of the calendar year in which the noncompliance first occurred, but
8 the listing as an omitted assessment may not be for a period more than
9 three calendar years preceding the year in which the failure to comply
10 was discovered.

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